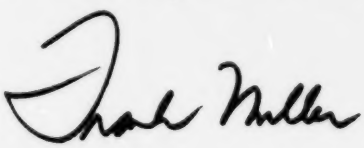
Minister's Message

I am pleased to present the annual report of Ontario's Development Corporations for the 1982/83 fiscal year.

The renewed vitality of our small business community is encouraging evidence of the recent improvement in the Ontario economy. Small companies must take big risks if they are to grow. All too often they find it difficult to obtain adequate financing, especially financing that enables them to expand and create new jobs. The Development Corporations' role is to fill this gap and to provide small businesses in all parts of Ontario with risk capital when it is not available in the private sector.

The Development Corporations' programs must respond to the changing needs of small business in a changing economy. Financial assistance and, equally important, sound business advice provided by the Corporations' staff make a substantial contribution to the creation and growth of small businesses across the Province. I am confident that Ontario small businesses, and the staff of the Development Corporations, will continue to work toward achieving Ontario's economic potential.



Frank S. Miller
Minister of Industry and Trade
December, 1983

Statement of the Chief Executive Officer

The Development Corporations stimulate economic growth, regional development and job creation by providing financial assistance to help small businesses realize their potential. Our financial assistance includes term loans, lines of credit to finance export sales, loan guarantees, and special incentives such as interest subsidies and repayment deferrals on a selective basis.

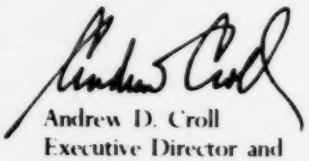
During 1982/83 we approved applications for financial assistance totalling $94 million for more than 500 Ontario companies. This financing will be used to create 12,000 long-term jobs across the Province. Altogether, by the end of March, 1983, The Development Corporations had active loan and guarantee agreements totalling more than $250 million with close to 2,500 Ontario companies.

Our main emphasis has been on helping small businesses, because this sector has a key role in generating new jobs. Small businesses require risk capital, and a lack of access to adequate financing continues to be the most important constraint on their growth. That is the reason for having the Development Corporations — to take a calculated risk when it can have a significant pay-off for the entire Province in terms of additional jobs and new opportunities.

Three segments of the small business community receive special attention from the staff of the Development Corporations:

- small, new businesses, including start-ups, that are short on funds and high on growth potential.
- new exporters, who look to us for financing of their export receivables until their bankers are willing to take on the added risk. We have been instrumental in helping many companies get started in exporting.
- tourist operators, where we help finance expansions and improvements to facilities, making them more attractive to tourists from all parts of the world.

Two industrial parks, created from former Canadian Forces bases, complete the Development Corporations' regional development portfolio. These parks now house 22 companies employing close to 2,000 people.



Andrew D. Croll
Executive Director and
Chief Executive Officer
December, 1983

The Development Corporations

Combined Financial Statements for the year ended March 31, 1983

To the Ontario Development Corporation,
Northern Ontario Development Corporation,
Eastern Ontario Development Corporation,
and to the Minister of Industry and Trade.

I have examined the combined balance sheet of the Development Corporations consisting of Ontario Development Corporation, Northern Ontario Development Corporation and Eastern Ontario Development Corporation, as at March 31, 1983 and the combined statements of operations and retained earnings for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Development Corporations as at March 31, 1983 and the results of their operations for the year then ended in accordance with the basis of accounting as described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

D. F. Archer, F.C.A.,
Provincial Auditor.
Toronto, Ontario,
August 16, 1983.

Combined Balance Sheet as at March 31, 1983

Assets

	1983 $	1982 $
Cash	21,122,878	28,261,210
Short term deposits	22,189,468	12,513,161
Accounts receivable	300,897	443,260
Loans receivable		
Term, regular (note 12)	100,312,769	107,040,851
Term, Ontario Business Incentives Program (note 12)	127,334,280	128,385,047
Performance, subject to forgiveness	767,760	1,430,470
Employment Development Fund	18,851,892	18,779,106
Ontario Industrial Parks Program	5,006,002	4,085,560
Board of Industrial Leadership and Development (BILD)	19,359,685	2,925,114
Eastern Ontario Subsidiary Agreement (note 2)	4,652,383	1,924,842
St. Joseph's Heritage (note 3)	1,248,000	1,200,000
Flood Relief Loan Program	504,171	580,578
Rural Ontario Development Program	706,725	97,300
Northern Ontario Rural Development Agreement (note 4)	1,121,469	57,000
Long term investment (note 5)	440,200	—
Net investment in lease (note 6)	370,057	371,963
Serviced land at Sheridan Park, at cost, (note 1c)	217,510	215,089
Fixed assets, less accumulated depreciation (note 7)	4,439,247	4,233,277
Land and building held for sale (note 8)	131,528	131,528
	329,076,921	312,675,356

See accompanying notes to combined financial statements.

On behalf of the Board:

Director

Director

Director

Liabilities

	1983 $	1982 $
Accounts payable and accrued charges	127,735	9,617
Interest payable	61,764	–
Deposits and trust accounts	780,098	137,701
Note payable – Ontario Land Corporation	451,418	666,321
Advances from the Province of Ontario		
Performance loans, subject to forgiveness	850,100	1,514,055
Other (note 12)	266,074,311	263,732,085
Loans assumed by other borrowers	60,000	60,000
Deferred revenue – Eastern Ontario Subsidiary Agreement (note 2)	4,665,527	1,924,842
Northern Ontario Rural Development Agreement (note 4)	1,550,000	–
Ministry of Health St. Joseph's Heritage (note 3)	1,200,000	1,200,000
	275,820,953	269,244,621

Shareholder's Equity

Share capital – authorized and issued 7,000 shares with a par value of $1,000 each	7,000,000	7,000,000
Reserve for replacement of buildings (note 9)	–	700,000
Retained earnings	46,255,968	35,730,735
	53,255,968	43,430,735
	329,076,921	312,675,356

Combined Statement of Operations for the year ended March 31, 1983

	1983 $	1982 $
Revenue		
Interest	19,000,202	16,583,310
Net income on Industrial Parks Operations (Schedule I)	698,000	952,408
Financing and rental income	36,344	57,108
	19,734,546	17,592,826
Expense		
Interest	22,367,281	21,426,096
Administration (Schedule II)	5,680,023	5,399,580
Performance loan forgiveness	690,477	1,762,259
Term loans written off (note 1b)	7,268,368	6,000,559
Payments on guaranteed bank loans (note 1b)	4,282,778	4,967,360
Guarantee interest subsidy	79,020	—
Grant (note 10)	100,000	—
	40,467,947	39,555,854
Loss before recoveries from the Province of Ontario	20,733,401	21,963,028
Recoveries from the Province of Ontario		
Interest expense	12,457,968	11,791,000
Administration	5,680,023	5,399,580
Performance loan forgiveness	690,477	1,762,259
Term loans written off	7,268,368	6,000,559
Payments on guaranteed bank loans	4,282,778	4,967,360
Guarantee interest subsidy	79,020	—
Grant	100,000	—
	30,558,634	29,920,758
Net income for the year	9,825,233	7,957,730

See accompanying notes to combined financial statements.

Combined Statement of Retained Earnings for the year ended March 31, 1983

	1983 $	1982 $
Balance, beginning of year	35,730,735	27,773,005
Net income for the year	9,825,233	7,957,730
Transfer from replacement of buildings reserve (note 9)	700,000	—
Balance, end of year	46,255,968	35,730,735

See accompanying notes to combined financial statements.

Schedule I

Statement of Industrial Parks Operations for the year ended March 31, 1983 (note 1g)

	1983 $	1982 $
Revenue		
Rental and utility charges	3,109,336	2,873,826
Interest	627,170	826,046
	3,736,506	3,699,872
Expense		
Salaries and staff benefits	1,117,805	1,108,655
Maintenance and administration	785,725	822,612
Depreciation (note 1d)	963,856	782,589
Interest expense	59,046	53,893
Bad debt expense (recovery)	112,074	(20,265)
	3,038,506	2,747,484
Net income for the year	698,000	952,408

See accompanying notes to combined financial statements.

Schedule II

Combined Administration Expenses for the year ended March 31, 1983 (note 1f)

	1983 $	1982 $
Salaries and staff benefits	4,637,299	4,223,111
Transportation and communication	420,880	387,220
Services	460,271	604,602
Supplies and equipment	161,573	184,647
	5,680,023	5,399,580

See accompanying notes to combined financial statements.

Notes to Combined Financial Statements March 31, 1983

1. Significant Accounting Policies

(a) General
The combined financial statements include the accounts of Ontario Development Corporation, Northern Ontario Development Corporation and Eastern Ontario Development Corporation.

(b) Loans written off and guaranteed loans paid
Write-offs of loans ultimately deemed uncollectible and guaranteed loans paid are charged directly to expense in the combined statement of operations. These write-offs are reimbursable by the Treasurer of Ontario.

(c) Serviced land at Sheridan Park, at cost
The original cost as well as the cost of improvements have been apportioned on a per acre basis, and the resultant per acre cost is used in determining the cost of sales of this land.

(d) Depreciation
Equipment purchases for head and district offices administration are charged to expense in the year of acquisition except for the Industrial Parks operations which capitalize all such expenditures.

Depreciation of fixed assets is provided on a straight-line basis, using rates of from 5 to 20 per cent per annum for buildings and improvements, and 20 per cent per annum for equipment.

(e) Long term investment
The Ontario Development Corporation accounts for its investment in which it has significant influence on the equity basis.

(f) Administration expenses
These expenses are reflected on a modified cash basis as followed by the Province.

(g) Industrial Parks Operations
Revenue and expenses related to the Industrial Parks operations are recorded on the accrual basis.

2. Eastern Ontario Subsidiary Agreement

The Eastern Ontario Subsidiary Agreement is an incentive program designed to aid small businesses by providing interest free forgivable loans to new and existing small businesses in Eastern Ontario. It is jointly funded by the Governments of Canada and Ontario under the Eastern Ontario Subsidiary Agreement.

Funds received for loan disbursements under the Agreement have been treated as transfer payments in the accounts of the Province. Although transfer payments are normally recorded as revenue, the Eastern Ontario Development Corporation has recorded the amount received from the Province as a liability which will be written down as loans are forgiven. This is consistent with the treatment accorded the other forgivable loans and avoids distorting the combined results of operations through timing differences between the recognition of the revenue and the subsequent expense on forgiveness of loans.

3. St. Joseph's Heritage

Funds were provided by the Ministry of Health and loaned to St. Joseph's Heritage, a medical and commercial centre, by the Northern Ontario Development Corporation under the authority of the Development Corporations Act. The Ministry of Health has undertaken to indemnify the Northern Ontario Development Corporation against all costs, losses or damages which it may suffer or become liable for in respect of the loan. Interest accrues on principal of $400,000 until April 1992. Subsequent to that date, the full advance is due and payable on demand and interest accrues on the entire outstanding balance from that time.

4. Northern Ontario Rural Development Agreement

The Northern Ontario Rural Development Agreement is an incentive program designed to aid small businesses by providing interest free forgivable loans to new and existing small businesses in Northern Ontario. It is jointly funded by the Government of Canada and Ontario under the Northern Rural Development Subsidiary Agreement.

Funds received for loan disbursements under the Agreement have been treated as transfer payments in the accounts of the Province. Although transfer payments are normally recorded as revenue, the Northern Ontario Development Corporation has recorded the amount received from the Province as a liability which will be written down as loans are forgiven. This is consistent with the treatment accorded the other forgivable loans and avoids distorting the combined results of operations through timing differences between the recognition of the revenue and the subsequent expense on forgiveness of loans.

5. Long Term Investment

The Ontario Development Corporation owns on behalf of BILD a 20 per cent equity interest in Allelix Inc., a joint venture with Canada Development Corporation (50 per cent) and John Labatt Ltd. (30 per cent), which will carry out basic and applied research in industrial and agricultural applications of biotechnology.

Transactions during the year consisted of:

Common shares acquired 200 shares, at cost	$ 200
Research contributions	440,000
	$440,200

The Ontario Development Corporation has, as agent for BILD, loaned Canada Development Corporation and John Labatt Ltd. $9,800,000 to finance the construction of the research facility. This loan, including accrued interest, is included in BILD loans receivable.

6. Net Investment in Lease

The Corporations own property which is leased to a client with an option to purchase. The Corporation's net investment in the lease is composed of total minimum lease payments less unearned finance income.

	1983 $	1982 $
Total minimum lease payments receivable, including renewals, to March 1, 2000 (1982 — June 30, 2002)	667,602	853,545
Less: unearned finance income	(297,545)	(481,582)
	370,057	371,963

Due to the financial problems experienced by the lessee, a 12 month moratorium on lease payments was granted and the term of the lease was renegotiated with payments to recommence June 1, 1983.

Finance income related to the above direct financing lease is recognized in a manner that produces a constant rate of return of 8 per cent on the investment in the lease.

7. Fixed Assets

Fixed assets are stated at acquisition cost and consist of:

	1983		1982	
	Cost $	Accumulated Depreciation $	Cost $	Accumulated Depreciation $
Land	341,514	–	341,514	–
Buildings and improvements	10,188,011	6,176,700	9,116,992	5,262,165
Equipment	548,749	462,327	449,941	413,005
	11,078,274	6,639,027	9,908,447	5,675,170
	6,639,027		5,675,170	
	4,439,247		4,233,277	

8. Land and Building Held for Sale

This acquisition arose as a result of Northern Ontario Development Corporation taking possession of a security for a loan on default by the borrower. The land and building are stated in the accounts at appraised value at the date of acquisition plus costs of improvements.

9. Reserve for Replacement of Buildings

A $700,000 reserve for building replacement previously appropriated from retained earnings has been reclassified to retained earnings since the Ontario Development Corporation has decided that no major replacements nor renovations of buildings will be required in the near future.

10. Grant

The Ontario Science Centre anticipates building an International Science Circus consisting of high tech exhibits. This exhibit will travel, on a self-financing basis, to various countries in Asia. Total capital costs are estimated to be $600,000 of which the Ministry of Industry and Trade through the Ontario Development Corporation is funding $100,000.

11. Wholly-owned Subsidiaries, Not Consolidated

During fiscal 1981-82, the Northern Ontario Development Corporation wrote off performance loans and term loans advanced to Thunder Bay Ski Jumps Limited, a wholly-owned subsidiary, in the amount of $452,000 and $1,349,430, respectively. The reported loss of this subsidiary for the year ended March 31, 1983 amounted to $100,877 (1982 – $303,727) and the reported deficit was $1,250,666 (1982 – $1,149,789).

The Northern Ontario Development Corporation also owns, on behalf of the Province of Ontario, all the issued shares of Minaki Lodge Resort Ltd. and Minaki Development Company Limited. The Corporation's investment in these wholly-owned subsidiaries was written off in 1975-76. During the current fiscal year, a major renovation of the main lodge continued and the accounts of these subsidiaries are still in the process of being finalized. For the year ended March 31, 1982, the reported losses of these subsidiaries was $1,019,084 of which $848,000 related to interest expense. The deficit of these two subsidiaries as at March 31, 1982 was $6,552,117 and the contributed surplus was $681,858.

On March 10, 1983, non interest bearing debentures in the amount of $25,000,000 payable on demand were issued by Minaki Lodge Resort Ltd. and Minaki Development Company Limited in favour of Ontario Development Corporation.

These debentures were issued as security for amounts disbursed by the former Ministry of Industry and Tourism, the Ministry of Tourism and Recreation and the Northern Ontario Development Corporation to these wholly-owned subsidiary companies. The Corporations have not recorded these debentures in the accounts.

These debentures replace the $4,000,000 and $5,000,000 debentures payable on demand and bearing interest at the rate of 9½ per cent per annum which were issued July 18, 1978 by Minaki Lodge Resort Ltd. and Minaki Development Company Limited.

The Corporations have not consolidated these subsidiaries as they are deemed to be only temporary investments and their activities are not compatible with those of the Corporations.

12. Reclassification

Previously term loans and advances from the Province were net of an allowance for doubtful loans. Since the Treasurer of Ontario reimburses the Corporations for all uncollectible loans written off, both term loans and advances have been reclassified to exclude any allowance. Had an allowance for doubtful loans been set up, the Corporations estimate that $21,800,000 (1982 — $18,400,000) would have been recorded.

13. Contingent Liabilities

(a) As at March 31, 1983 contingent liabilities in the form of guaranteed bank loans or other guarantees amounted to $60,439,000 (1982 — $54,011,000).

(b) A legal action claiming aggregate damages of $4,500,000 plus interest has been instituted against Northern Ontario Development Corporation, Ontario Development Corporation and others by a former shareholder of Minaki Lodge Resort Ltd. and Minaki Development Company Limited. The Corporations are of the opinion that the claim is without merit.

14. Commitments

Loans authorized but not disbursed as at March 31, 1982 amounted to $112,775,000 (1982 — $96,678,000). The amount of guarantees approved in respect of which bank loans had yet to be advanced was $19,372,000 (1982 — $43,090,000).

In connection with the investment in Allelix Inc., there is a commitment for additional construction loans of $5,200,000 and additional research contributions which will be financed by BILD of $14,600,000.

15. Subsequent Event

(a) On July 5, 1983, the Thunder Bay Ski Jumps Limited acquired the assets used in the operation of the Sundance Ski Area including land leased in previous years for the ski jumping facilities for the following consideration:

Cash (funded by advances from Ministry of Tourism and Recreation)	$539,704
Assumption of debts payable to Northern Ontario Development Corporation	337,844
	$877,548

(b) On July 15, 1983 Minaki Lodge was officially re-opened. The Radisson Hotel Corporation now manages Minaki on behalf of Northern Ontario Development Corporation.

16. Comparative Figures

Comparative figures have been reclassified where necessary to conform with 1983 presentation.

Boards of Directors 1982/83

The affairs of each of the three Development Corporations are under the management and control of Boards of Directors chosen from the small business community and appointed by the Lieutenant Governor in Council. The Boards are responsible to the Minister of Industry and Trade.

Ontario Development Corporation

James H. Joyce, Toronto (Chairman)
*Peter H. Harrower, Timmins (Vice-Chairman)
Sabina Adams, Sault Ste. Marie
William E. Biggs, Alban
*Norman Carson, Brockville
*David B. Cowper, Toronto
Lloyd S. D. Fogler, Q.C., Toronto
Janet E. Guest, Renfrew
Bryan D. Hocking, Deep River
Douglas J. Johnson, Kenora
*Fred E. Johnston, Ottawa
Michael D. Lipton, Q.C., Toronto
J. Ross Lowrie, Toronto
Marnie A. McGarry, London
F. J. Pillgrem, Meaford
William S. Thomson, Downsview

Northern Ontario Development Corporation

*Peter H. Harrower, Timmins (Chairman)
Douglas J. Johnson, Kenora (Vice-Chairman)
Sabina Adams, Sault Ste. Marie
William E. Biggs, Alban
Pat Birnie, New Liskeard
Gerald Brousseau, Timmins
Andrew F. Coffey, Thunder Bay
John G. Dubien, Kapuskasing
T. Craig Moffatt, North Bay
*Grant Oakes, Spring Bay
A. Mills Paton, Thunder Bay
Franklin J. Pierce. Atikokan
Edward G. Skinner, Sudbury
Robert G. Topp, Sault Ste. Marie

Eastern Ontario Development Corporation

*Norman Carson, Brockville (Chairman)
Alex Siversky, Hawkesbury (Vice-Chairman)
Aurele Clement, Cornwall
David C. Gifford, Peterborough
Janet E. Guest, Renfrew
John Guthrie, Belleville
Bryan D. Hocking, Deep River
Arnie Jackson, Carleton Place
*Fred E. Johnston, Ottawa
William A. Kelly, Kingston
Robert F. Leach, Bancroft
Jean Guy Rivard, Orleans
Ian C. Ross, Ottawa
W. Reginald Workman, Morrisburg

*Retired March 31, 1983